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C O N F I D E N T I A L SECTION 01 OF 02 BEIJING 002780

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TAGS: PREL PINS CH

SUBJECT: CHINA/QDR: CHINESE THINK TANK PERSPECTIVE FROM CICIR'S YUAN PENG

REF: OSC CPP20060208067009

Classified By: Political External Chief Edgard Kagan. Reasons 1.4 (b/d)

SUMMARY

**¶11.** (C) The 2006 Quadrennial Defense Review (QDR) contains positive language about China but PRC analysts are concerned about the identification of China as the country having the greatest potential to compete militarily with the United States as well as the explicit reference to a policy of hedging, according to Yuan Peng, Vice Director of U.S. Studies at the Chinese Institute for Contemporary International Relations (CICIR). Chinese analysts recognize that the primary focus of the QDR remains the war on terrorism and U.S. military restructuring, Yuan said. The PLA is studying areas where it may open up more of its military budget to "transparency." Yuan suggested that the Embassy use the Chinese media to present U.S. perspectives on the QDR to reduce misunderstandings. The PLA is preparing a proposal for a disaster relief joint exercise. End summary.

QDR readout

**¶12.** (C) Poloffs visited Dr. Yuan Peng, Vice Director of U.S. Studies at the Chinese Institute of Contemporary International Relations (CICIR), a Chinese Government-affiliated think tank with international security interests on February 13. Dr. Yuan's February 8 article (ref A), "US, not China, Stands at Strategic Crossroads" reviewed the QDR's implications for U.S.-China relations. Yuan told Poloffs that the QDR statement that "China has the greatest potential to compete militarily with the United States" was the most surprising aspect of the report for China. He called the phrase "harsh" and not what the PRC expected following the visits of President Bush and Defense Secretary Rumsfeld as well as Deputy Secretary Zoellick's "stakeholder" speech and Senior Dialogue exchanges. Although Chinese analysts recognize that the primary focus of the QDR remains the "long war" on terrorism and U.S. military restructuring, specifying China as a potential military competitor was disruptive, in Yuan's view. Many Chinese analysts expected that the strongest language on Chinese military affairs would not appear until the summer 2006 annual Report to Congress on Chinese Military Power.

**¶14.** (C) Yuan expressed concern about the QDR reference to the need to "hedge" against the PRC, saying that this was the first time he has seen this wording in an official U.S. document. He said PRC analysts are concerned about the implications of a U.S. "hedging" strategy, particularly as there is disagreement about the meaning of the term. On the positive side, he expressed appreciation for the positive

language about working with China.

¶ 15. (C) Poloff responded that it is difficult to argue against the notion that China has the greatest potential to compete militarily with the United States in the future. Yuan said that while this may be correct, it should not have been said in such a direct way in an official document, as this sends a strong political signal. Poloff commented that while this may be true in a PRC political context, the U.S. context requires acknowledging such an obvious fact. The reference to the need to hedge is made in the context of both the uncertainties of the future as well as China's lack of military transparency.

#### PLA Studying Moves Toward Transparency

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¶ 16. (C) Yuan acknowledged the U.S.'s long-standing concern over defense transparency and said that the PRC leadership recognizes that U.S. statements about the PLA's lack of transparency have resonated within the region. Commenting that Beijing must find a way to address this issue, he stated that several working groups within the PLA are studying ways to increase transparency. In response to a question about the definition of greater transparency in PRC military development, Poloffs raised U.S. concerns on China's development of asymmetric capabilities and lack of transparency in its defense development, particularly the PLA budget, force structure, doctrine, capability and intentions. Noting that other countries have reason to share these concerns, Poloffs pointed out that China's capability to project power have regional implications. Lack of understanding of China's long-term goals make assessing the PLA's military buildup difficult and can create

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misperceptions. Enhanced opportunities for substantive military exchanges can help demystify the two militaries' views of each other, as Secretary Rumsfeld indicated in October 2005.

#### Use Chinese Media to Discuss the QDR?

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¶ 17. (C) Yuan said out that the Chinese people do not have a good understanding of the QDR and suggested the Embassy might seek to make its case through the Chinese mass media to help inform Chinese public opinion about the QDR.

#### Chinese Interest in Joint Humanitarian Relief Exercise

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¶ 18. (C) Asked about the overall state of bilateral military ties, Yuan said that many analysts feel that military cooperation lags behind U.S.-China engagement in other fields. He continued that the PLA is interested in future joint military exercises with the United States and that a PLA study group was drafting a proposal for a U.S.-China joint humanitarian disaster relief exercise.  
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